

SENATE RECORD VOTE ANALYSIS

104th Congress
1st Session

Vote No. 37

January 24, 1995, 4:01 p.m.
Page S-1419 Temp. Record

UNFUNDED MANDATES/Federal Reserve Reporting Requirement

SUBJECT: Unfunded Mandate Reform Act of 1995 . . . S. 1. Kempthorne motion to table the Dorgan amendment No. 178.

ACTION: MOTION TO TABLE AGREED TO, 63-34

SYNOPSIS: Pertinent votes on this legislation include Nos. 15-36, 38-41, 43-45, and 47-61.

As reported by the Governmental Affairs Committee and the Budget Committee, S. 1, the Unfunded Mandate Reform Act of 1995, will create 2 majority (51-vote) points of order in the Senate. The first will lie against the consideration of a bill or joint resolution reported by an authorizing committee if it contains mandates and if Congressional Budget Office (CBO) cost estimates on those mandates are unavailable. The second point of order will lie against the consideration of a bill, joint resolution, motion, amendment, or conference report that will cause the total cost of unfunded intergovernmental mandates in the legislation to exceed \$50 million.

The Dorgan/Harkin amendment would require the Board of Governors of the Federal Reserve System to submit a report to the Congress and to the President each time the Board of Governors of the Federal Reserve System or the Federal Open Market Committee takes any action changing the discount rate, the Federal funds rate, or market interest rates. A report would include analyses of the costs the action would impose on the following: Federal, State, and local government borrowing, including costs associated with debt service payments; and private sector borrowing.

Debate was limited by unanimous consent. Following debate, Senator Kempthorne moved to table the Dorgan amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

Those favoring the motion to table contended:

The Dorgan amendment would irresponsibly and dangerously sacrifice long-term economic stability for lesser short-term gains by politicizing the Federal Reserve. A stable money supply with stable prices is essential for any economy to remain healthy.

(See other side)

YEAS (63)			NAYS (34)		NOT VOTING (3)	
Republicans (52 or 100%)	Democrats (11 or 24%)		Republicans (0 or 0%)	Democrats (34 or 76%)	Republicans (1)	Democrats (2)
Abraham	Hutchison	Bradley		Akaka	Inouye	
Ashcroft	Inhofe	Dodd		Baucus	Johnston	
Bennett	Jeffords	Feinstein		Biden	Kerry	
Bond	Kassebaum	Ford		Bingaman	Kohl	
Brown	Kempthorne	Glenn		Boxer	Leahy	
Burns	Kyl	Graham		Breaux	Levin	
Chafee	Lott	Kerrey		Bryan	Lieberman	
Coats	Lugar	Lautenberg		Bumpers	Mikulski	
Cochran	Mack	Moseley-Braun		Byrd	Murray	
Cohen	McCain	Moynihan		Campbell	Pell	
Coverdell	McConnell	Nunn		Conrad	Pryor	
Craig	Murkowski			Daschle	Reid	
D'Amato	Nickles			Dorgan	Robb	
DeWine	Packwood			Exon	Rockefeller	
Dole	Pressler			Feingold	Sarbanes	
Domenici	Roth			Harkin	Simon	
Faircloth	Santorum			Hollings	Wellstone	
Frist	Shelby					
Gorton	Smith					
Gramm	Snowe					
Grams	Specter					
Grassley	Stevens					
Gregg	Thomas					
Hatch	Thompson					
Hatfield	Thurmond					
Helms	Warner					

EXPLANATION OF ABSENCE:

1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:

AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

Long-term investment, especially foreign investment, is not attractive without a reasonable assurance that inflation will not rise and erode its value. If it does not make economic sense to make investments, investments will not be made--countries that keep interest rates low when prices are rising in a growing economy may experience higher growth in the short-term but they soon suffer economic troubles when their policies cause inflation, devaluing investments and leading to capital flight. A central bank can help keep prices stable by increasing interest rates when rapid growth starts putting upwards pressure on prices, and it can shore up prices by cutting interest rates to stimulate economic activity during economic downturns. The Federal Reserve System was created for precisely this purpose, in response to the "boom-and-bust" economic cycles that plagued the American economy. These cycles had been allowed to occur because politicians, sometimes through ignorance and sometimes through conscious choice, pursued monetary policies of short-term gain and long-term hardship.

Proponents of the Dorgan amendment have proposed a partial return to the boom-and-bust days of yore. Their amendment would require the Federal Reserve to provide "cost estimates" of any increases in the interest rates it charges. No estimates would be required when interest rates were lowered. The obvious intent is to coerce the Federal Reserve into following the type of easy money supply that is favored by politicians who want to curry immediate favor with the voters without any regard for the long-term damage they wreak. The mere fact that our colleagues would even ask for such an estimate illustrates their incompetence to judge the appropriate levels of interest rates, because the Federal Reserve could not possibly give an accurate estimate. The Federal Reserve is reactive--as forces in the economy, such as changes in the price of oil or new taxes and regulations from Congress, cause changes in economic growth, the Federal Reserve raises or lowers interest rates to keep prices stable. How can a long-term estimate be made of the benefits from an incremental, reactive change in monetary policy? Over the long-term, as a multitude of forces affect the money supply, numerous tweaks of the Federal Reserve's interest rate will be necessary. Technological advances, changes in resource prices, fiscal policy changes, and numerous other factors all will change the eventual result of a change in monetary policy. Long-term benefits thus cannot be neatly assigned to an interest rate change. Still, history proves that failing to pursue a sound money policy has disastrous consequences.

In proposing this amendment, our colleagues have misread the mood of the electorate. Americans do not want Congress to assume new responsibilities at a time when they do not trust it to exercise those responsibilities it already has. Frankly, looking at the mess that Congress has made of fiscal policy, the American people are right to mistrust Congress. We urge the tabling of this amendment's effort to introduce banana republic monetary policy; the American economy is in bad enough shape as it is.

Those opposing the motion to table contended:

The mere mention of the Federal Reserve makes most Americans' eyes glaze over. They would much rather angrily discuss wasteful Government spending or oppressive taxes than take the time to understand the operations of this bankers' bank. The topic, at first, seems rather dry. However, once one understands how the Federal Reserve System works, it is anything but boring. The Federal Reserve exists to protect the interests of banks. The Open Market Committee of the Federal Reserve, many of the members of which are appointed by banks without any public input, regularly meets behind closed doors to decide what interest rates in America will be. Last year it approved six rate increases, with a total combined cost to the American people of \$125 billion. Everyone with an adjustable rate mortgage, everyone with a credit card, and every business that must borrow money had to pick up part of that tab. If Congress had imposed this \$125 billion burden as a tax increase, there would have been a hue and cry that would have cost many Members' their seats. The Federal Reserve, though, created barely a stir.

Frankly, we do not understand why rates were raised. Inflation is very low, and growth remains modest. We hope the Federal Reserve has a reasonable basis for raising rates when it does, but we really do not know. Our suspicion is that some decisions are designed with Wall Street in mind rather than Main Street. We were elected to represent Main Street. If monetary decisions are being made that do not have the interests of our constituents at heart, we need to know about it. The Dorgan amendment would provide the needed information, so we are pleased to give it our support.